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THE LOW PARTICIPATION OF URBAN MIGRANT ENTREPRENEURS: REASONS AND PERCEPTIONS OF WEAK INSTITUTIONAL EMBEDDEDNESS

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Abstract

The present paper addresses the lack of institutional collaboration among urban ethnic (or migrant) firms as a reason for their low innovation profile. This lack is present in various forms of institutional business cooperation, but here we focus in particular on franchising. Such weak collaborative embeddedness is noteworthy, given the fact that franchising offers for small and medium-sized enterprises (SMEs) an important means to compete better. Poor communication, a low chance to be accepted by the external party, and economic market factors appear to be important reasons why ethnic entrepreneurs do not join franchise organizations. The low chance of acceptance is primarily reflected in the entrepreneurs' perception of their unfavorable market conditions, but in addition there are other reasons for low participation which can be rectified. From our research, general lessons can be derived which are applicable also to other situations in which ethnic entrepreneurs may also be less inclined to join institutional cooperative systems. With these lessons in mind, the competitive and innovative potential of ethnic entrepreneurs can be improved.

JEL codes: L22 Vertical Integration; L81 Retail and Wholesale Trade; M13 Entrepreneurship

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1. Introduction

Despite the large influx of ethnic minority (or migrant) entrepreneurs of various origins in the Dutch society, members of this group rarely join institutional collaborative business organizations. This is surprising, as institutional embeddedness and anchoring is usually seen as a powerful organizational mechanism for small and medium-sized enterprises (SMEs). In this paper we focus on franchise organizations, which ethnic entrepreneurs hardly ever join. It is, in contrast, noteworthy that the degree of mutual collaboration among native Dutch firms in the SME sector is generally very high.

The motivation for our study stems from the fact that it is, from a social cohesion point of view, important to understand why a certain group within society acts very differently from the rest of society. Furthermore, it is also important to know whether this deviation is temporary or structural, and whether it will be solved by itself over time or only with external assistance (see Davidsson, 2002).

Much has been written about the attitude and behavior of ethnic entrepreneurs in Western economies, mostly from a sociological point of view. However, to the best of our knowledge, the subject of this paper, viz. the lack of institutional collaboration in the form of franchise organizations among ethnic small firms, has never been dealt with to date. In this paper, we investigate the reasons for the weak institutional collaboration among small ethnic firms, by means of an empirical analysis based on semi-structured interviews with 40 ethnic (Turkish) entrepreneurs in Amsterdam (the Netherlands). Turks, who have already lived in large groups in the Netherlands since the 1960s, appear to have a strong inclination to engage in entrepreneurial activities, which means that this group is particularly relevant for the present study. The retail sector, with its low entry barriers, is by definition an important sector in this context.

An important survival strategy for SMEs in the highly competitive retail grocery sector in the Western world is franchising ('franchising' is used in this paper as a generic term that encompasses all institutional collaborative systems in the retail sector and also includes purchase (or buying) groups and voluntary wholesale organizations). Participating in franchise organizations enables entrepreneurs to compete with big chain stores and to negotiate more effectively with wholesalers and manufacturers. This participation can also lead to improvement of their innovative capacity. All in all, (more) participation in franchise organizations may also be beneficial from a macro point of view. In any case, differences in organisational behaviour of firms calls for further investigation.

In the light of these advantages, the question emerges: Why do Turkish entrepreneurs not join such organizations? This is the key question of our study.

The paper is organized as follows. Following a brief and selective review of the most essential elements of ethnic entrepreneurship (Section 2), we outline the main features of franchising (Section 3). Next, several research questions are formulated (Section 4), which are tested by means of interviewing a sample of 40 Turkish entrepreneurs in Amsterdam. After a description of the empirical database (Sections 5 and 6), the research questions are addressed empirically. This is done first from the point of view of the ethnic entrepreneurs themselves (Section 7), and then in terms of their perceived reasons for rejection by the franchise organizations (Section 8). Finally, our main conclusions and recommendations are formulated (Section 9).

2. Ethnic Entrepreneurship

2.1 Prefatory Remarks

Ethnic entrepreneurship has been intensively studied in recent years. The roots of these studies may be found in earlier works dating back to the 1950s. Rinder (1958) stressed the fact that all societies are internally differentiated or stratified, as a result of (amongst other factors) their history, level of economic development, societal complexity, cultural values, and political views. Simmel (1950) mentioned that – throughout the history of economics – the stranger everywhere appears as the trader (or the trader as stranger); this obviously places the ethnic entrepreneur in a specific socioeconomic context. Bonacich and Modell (1980) defined ‘ethnicity’ as a communalistic form of social affiliation, depending on the assumption of a special bond between people of like origins or on a disdain for people of dissimilar origins. Besides affiliation, another important reason may be found in solidarity based on shared class interest. Both forms of solidarity (ethnicity and class) cut across each other in complex societies. A set of ethnic and racial minorities share a comparable position in the social structure of the societies in which they reside. They are referred to as ‘middlemen minorities’, and are often active in trade.

The aspects of ethnic entrepreneurship that have been most extensively studied in the literature are: the entrepreneurs’ relationships with their clients; their acquisition of capital and labor; and their motivations (Deakins, 1999). These subjects, of course, overlap to some extent and are also interlinked. The ethnic group, or network, appears to play an important role in the behavior of ethnic entrepreneurs, or as Waldinger et al. (1990a) put it: connections and regular patterns of interaction among people sharing a common national background or experience of migration influence the behavior of ethnic entrepreneurs.

Their own ethnic or social group plays an important role for ethnic entrepreneurs (see Brüderl and Preisendörfer, 1998; Sullivan, 2000). The core of this group is formed by the (extended) family (Ram et al., 2001). In order to better understand the relation between the entrepreneurs and their group members, this relationship is operationalized into three items: clients, capital and labor. Motivation is an important aspect of any form of entrepreneurship, but especially in ethnic entrepreneurship.

Waldinger et al. (1990a) aimed to explain both the immigrant groups' entry into business and their different fates in terms of their access to opportunities, group characteristics, and the embeddedness of opportunities and resources within a specific set of historical conditions encountered by immigrating groups. The opportunity structure may have to do with market conditions (e.g. demand for ethnic consumer products, and undersupplied or abandoned markets). Group characteristics deal with a complex of interacting economic, social and psychological factors, and with resource mobility (due, for example to close ties between co-ethnics and ethnic social networks).

2.2 Clients

Ethnic loyalties, informal networking, and communication patterns within the ethnic community provide an ethnic firm with potential competitive advantages. However, the literature also points to ambivalent relationships among ethnic entrepreneurs and their ethnic clientele. Dyer and Ross (2000), for example, noted ambivalent signals by business owners in such relationships. On the one hand, these entrepreneurs commented favorably on the loyalty of their co-ethnic clients, expressed a preference for these clients, and had a good relationship with them and also many business connections. On the other hand, the same entrepreneurs appeared to cast doubts on their co-ethnic clients' loyalty, their inappropriate demands, their resentment of the entrepreneurs' financial success, their spreading of unfavorable rumors, and the generally poor image of the ethnic enterprises in the minds of their fellow native countrymen.

Donthu and Cherian (1994) also noted specific sentiments within co-ethnic groups. They reported that, in the United States, Hispanics who have strong community identification were more likely to patronize Hispanic vendors than those who have weak community identification. The same was true for loyalty to brands used by family and friends: they were more influenced by targeted media messages and were less concerned with purely economic value.

However, the competitive advantage of ethnic loyalty also makes the ethnic entrepreneurs vulnerable. In his study of Moroccan entrepreneurs in Amsterdam, Aakouk (2000) concluded that adjustment of their marketing mix (and especially of their

assortment) might enable ethnic entrepreneurs to go beyond their own ethnic market segments. Paradoxically, this could also imply alienation from their trusted ethnic clients. But, it may be possible that future generations of ethnic entrepreneurs will have less problems with institutional differences between the internal and external orientation of their business.

2.3 Capital and Labor

Important aspects of the relationships within the ethnic group also concern the input variables of capital and labor. Van Delft et al. (2000) revealed that social networks are ethnic-related attributes that may provide advantages. These networks appear to be multifaceted and flexible, and offer good possibilities for the efficient acquisition of finance and the recruitment of personnel. In general, ethnic businesses rely heavily on labor from their particular ethnic group or, more specifically, their (extended) family. Capital can be more easily borrowed informally in this setting. In addition, within the network of the ethnic group, individuals depend on an informal way of doing business and exchanging information, because there is mutual trust within the network. Lee et al. (1997) called this phenomenon the ‘social resources explanation’: the success of ethnic minority business can in part be explained by the existence of such social resources as rotating credits, a protected market, and a labor source.

Deakins et al. (1997) stressed that constraints to successful diversification and development of ethnic businesses center mainly around their ability to access resources (especially finance) and new markets. The use of existing networks can form the bridge to mainstream development within their adopted country. Through their networks of relatives and co-nationals, ethnic entrepreneurs have privileged, flexible access to information, capital and labor (Kloosterman et al. 1998).

Basu (1998) found that the nature of ethnic entrepreneurial entry predominantly depends on the access to informal sources of capital and information, as well as on the entrant’s previous experience. Ruiz-Vargas (2000) concluded that non-native (immigrant-owned) businesses in Puerto Rico had better access than natives to credit markets, possibly because of their economic position and power within the ethnic community. Texeira (1998) mentioned not only friends and relatives as being ethnic resources but also written media like newspapers.

It thus seems plausible that a complex array of co-ethnic input factors may form a possible stimulus for successful entrepreneurship.

2.4 Motivation

Motivational factors form a third set of frequently studied issues in ethnic business. Ram (1994) argued that the social networks of immigrants, comprising community and family, play a major role in the operation of ethnic enterprises. Reliance on these networks may also be a response to the (assumed) presence of racism in the wide environment. Externally, the family is seen as a means of overcoming racial obstacles in the market, while, internally, it provides a flexible source of labor and a means of managerial discipline.

According to Deakins (1999), the history of disadvantage and discrimination has led to the concentration of ethnic minority firms and entrepreneurs in marginal areas of economic activity. Johnson (2000) mentioned both culture and disadvantage theory in explaining why immigrants become self-employed. Rafiq (1992) saw socioeconomic status as a better explanation for ethnic minorities entering business: their socioeconomic status is often relatively low, which is in part determined by cultural factors, especially the low participation of women in the labor force. Therefore, Rafiq (1992) argued that culture has an indirect impact on entrepreneurship.

Ethnic entrepreneurship has become a popular strategy in developing principles of self-reliance among ethnic groups, because it stimulates and encourages immigrants to take care of themselves, with only limited support from the government (Van Delft et al. 2000). Kloosterman et al. (1998) stressed the fact that high levels of unemployment provide the motivation for an increasing number of immigrants to start their own businesses. This issue had already been discussed in the context of a dual labor market by Wilson and Portes (1980), who focused attention on the incorporation of new immigrants into the labor market. These authors confirmed the theories that considered new immigrants as being mainly additions to the secondary labor market, linked with small peripheral firms. They also introduced the possibility of the 'enclave economy' in connection with immigrant-owned firms, defining an enclave as a self-enclosed immigrant community (see also Peterson and Roquebert, 1993).

Flexibility on the labor market is another success factor. Li (1992) mentioned the traditional culture of certain ethnic groups, as well as blocked mobility, as important reasons for the successful development of ethnic entrepreneurship. Yoon (1995) asserted that there are three interacting factors which promote the growth of ethnic entrepreneurship: blocked employment opportunities in the general labor market (because of the language barrier and non-transferable education and occupational skills); resource mobilization (from stable structures and strong family ties); and business structures (social networks).

3. Franchising and Other Collaborative Forms

The modern retail sector in the Western world cannot be imagined without SME collaboration, in the form of buying groups, voluntary wholesale organizations and franchise organizations. Although significant differences are present within these three collaborative forms (Stern et al. 1996), this paper will only deal with franchising as a generic term for all forms of commercial collaboration (see Van Witteloostuijn, 1995). And, although many different types of franchising exist (e.g. product, trademark, business format, soft/hard), we will not deal with the differences of these separate types. Furthermore, it is worth mentioning that a complex system of fees may occur, with elements like initial franchise fee, royalty fees, advertising fees, sales of products, rental and lease fees and management fees.

Lewison (1997) defined franchising as a continuing relationship in which the franchisor provides a licensed privilege to do business, plus assistance in organizing, training, merchandising and management in return for financial compensation by the franchisee. Services provided by franchisors to their franchisees include market survey, site selection, joint buying, management training, and advertising. There are various forms of franchising, some of them requiring very intensive forms of collaboration and some less intensive forms ('hard' versus 'soft' franchising). Reviews of various choices regarding franchising can be found, inter alia, in Kaufman (1999) and Stanworth and Curran (1999). Note that all four aspects of ethnic entrepreneurship which were mentioned in the previous sections (clients, capital, labor, motivation) are involved in the franchise concept.

The empirical signals of the success of franchising efforts are ambiguous. Reinders and Verhallen (1996) noted that membership of a franchise organization is lucrative: allied small retailers perform better than their non-allied counterparts, in that they tend to realize higher profits and to show a more professional, active market approach. Apparently, franchising is a balanced system of pros and cons. On the other hand, Bates (1995) concluded that franchise start-ups exhibit both higher rates of business failure and lower mean profitability than corresponding independent start-ups. In his opinion, the reason for this was that the popular franchising niches were already saturated.

In general, collaboration in the market is concerned with the creation of a certain balance among competing firms: the existence of market power creates an incentive to organize another power to counter it (Galbraith (1980), Kent et al (1982), Kirzner (1997), and Shane, 2003). This is illustrated by Masurel and Janszen (1998), who found that, as large firms tend to dominate the market, more SMEs participate in franchise

organizations. They observed that 29.7% of all SMEs in the Netherlands were members of franchise organizations, and even as much as 79.0% in the grocery sector (1996 figures).

This is not, however, the place to deal extensively with the franchise phenomenon. We are primarily looking for explanations as to why the ethnic entrepreneurs do not join these collaborative forms. For more details on franchising, the interested reader may refer to Grünhagen and Dorsch (2003), Michael (2003, 2002, 1996), Hoy and Shane (1998), Shane (1998) and Lafontaine (1992). They also showed that there are many different types of franchising.

Empirical evidence of ethnic entrepreneurs in the retail sector joining franchise organizations is hard to find, both in the Netherlands and in other Western countries. The general view is that their degree of participation is almost zero (Detailhandelsmagazine, 1995). Suyver and Lie A Kwie (1998) calculated that only 2% of ethnic entrepreneurs were members of a franchise organization. Although this information may be somewhat dated, it can be stated that their degree of participation is still very low. The main valid explanation is a mutual lack of familiarity, i.e. ignorance on both sides. This finding is not a political statement, but based on value-free observation.

Information on the relationship between ethnic entrepreneurs and franchise organizations is scarce, and hardly any additional information on different ethnic groups is available in this context. Two reasons for this scarcity of information are that no specific systematic information on the background of the entrepreneur has been gathered, and there is also a great deal of distrust towards interviewers among ethnic entrepreneurs. These feelings of distrust are generally reflected in the low participation in surveys. This low participation is a serious source of concern, and therefore in our empirical fieldwork, as well as doing other things to solve this problem, we worked with a co-ethnic interviewer.

In this paper we focus on one specific form of institutional collaboration, viz. franchising. In accordance with the Dutch situation, the phrase ‘franchising’ will be used loosely, also covering more general forms of commercial collaboration, like buying groups. Other relevant forms of institutional business cooperation for ethnic entrepreneurs (e.g. trade associations (see Bennet and Robson, 2001), and local shopkeepers’ associations) are not considered here. To date, the issue of weak institutional orientation among ethnic firms has not been dealt with in the literature.

4. Research Questions

As the literature on SMEs does not offer much systematic information about the non-participation of ethnic entrepreneurs in franchise organizations or other collaborative institutions, this makes it difficult to formulate in advance any clearly founded and testable hypotheses. It is not known whether it is a matter of unwilling, unable, unknown, or even unwanted. Therefore, the research we present here is of an exploratory character. Ultimately, we try to relate the research outcomes to the specific aspects of ethnic entrepreneurship, in this way linking theory and practice with each other.

An empirical investigation into the reasons why ethnic entrepreneurs do not join franchise organizations forms the core of the research in this paper. Some possible or plausible explanatory reasons for this low participation were largely identified by internal brainstorming sessions, by a scan of the scarce literature, and by pilot interviews. Clearly, such reasons are not mutually exclusive and may overlap to some extent. The possible explanations can be formulated as follows: ethnic entrepreneurs do not join franchise organizations because:

1. They think joining such organizations will serve no useful purpose.
2. They think membership will cost too much.
3. Their business is too informal.
4. They are afraid to lose their independence.
5. They are not well-informed about this form of collaboration.
6. It is contrary to their cultural background.
7. It is contrary to their religious background.
8. They think they will not be accepted by such organizations.

The first four reasons have to do with the firm itself: these we will call ‘economic factors’ and all have to do with the market. Reason 5 has to do with communication, reason 6 with culture and reason 7 with religion. The latter two factors come closest to typical ethnic traits. Finally, reason 8 is external to the entrepreneurs, i.e. it depends on the franchise organizations. Later, in Section 8, this all-embracing reason is broken down in greater detail into a number of perceived reasons (given by the entrepreneur) as to why the franchise organization would not accept him (or her).

These research questions have to be tested against empirical facts; this requires field research among ethnic entrepreneurs.

5. Turkish Entrepreneurs in Amsterdam

Much literature has been devoted to the diversity in attitude and behavior of ethnic groups. One thing is clear: ethnic entrepreneurship is a multifaceted phenomenon that has at least as many sides as there are different ethnic groups. We may refer here to an abundance of studies, by among others Aldrich and Waldinger (1990), Barret et al. (1996), Basu (1998), Boissevain and Grotenbreg (1986), Boraah and Hart (1999), Curran and Blackburn (1993), Deakins et al. (1997), Deakins (1999), European Commission (2003), Johnson (2000), Lee et al. (1997), Ram and Deakins (1996), Waldinger and Aldrich (1990), and Waldinger et al. (1990b).

The literature shows convincingly that it is not possible to distinguish one single model of ethnic entrepreneurship or of ethnic business, not even within one given ethnic group (see, e.g., Curran and Blackburn (1993) and Li (1992)). As already mentioned, in our investigation we have chosen to study one specific group of ethnic entrepreneurs in Amsterdam, viz. those of Turkish origin. This group is illustrative of ethnic entrepreneurs in the Netherlands and is very recognizable in the Dutch socioeconomic landscape (Choenni and Choenni, 1998).

The first wave (or generation) of Turkish immigration to the Netherlands took place in the 1960s and 1970s. The shortage of unskilled laborers led the Dutch government to sign a treaty with the Turkish government concerning the immigration of ‘guest laborers’. Following the initial solo male immigration period, the males were joined by their families in the 1970s and 1980s.

Today, there are some 300,000 people of Turkish origin residing in the Netherlands (about 2% of the total population). In Amsterdam alone there are about 35,000 Turkish residents (5% of the population) (Feijter et al. 2001). These figures are not entirely unambiguous and depend on the definition used; we deploy here the limited, most common definition of ‘allochthonous’: anyone born abroad and who has at least one parent born abroad, as well as anyone born in the Netherlands both of whose parents were born abroad (CBS, 1998). It should be noted that there is a great deal of discussion concerning the definition of the term ‘ethnic’, but this is not the place to deal with that question.

Choenni (1997) noted that more than 10% of the Turkish working population in Amsterdam are entrepreneurs, and they constitute about 20% of all ethnic entrepreneurs in Amsterdam. This information is somewhat dated, however, and their share has likely increased. The retail sector, with its low entry barriers, is important for Turkish entrepreneurs.

Recent research has pointed out that Turks are the main group of ethnic entrepreneurs in the Netherlands (www.kvk.nl). They operate mainly in the hospitality sector, the retail sector and the temporary employment sector.

Jansen et al. (2003) concluded that, despite certain disadvantages compared with the native Dutch population, immigrants from Turkey show the same rate of entrepreneurship. Although the Turkish immigrants have similar characteristics to other immigrants (from Morocco, Surinam and the Antilles), their rate of entrepreneurship is much higher than the rate of these other groups.

Kruiderink (2000) concluded that the percentage of starters is far higher for ethnic groups than it is for domestic groups. However, their failure rate is also much higher. This results in a relatively low survival rate. Clearly, because ethnic entrepreneurship is a multifaceted phenomenon, a made-to-measure policy is imperative.

Ethnic entrepreneurship is not a homogeneous phenomenon, and one may wonder to what extent Turkish entrepreneurs are representative of all ethnic entrepreneurs in the Netherlands. However, franchise organizations hardly ever seem to incorporate ethnic entrepreneurs of any kind in their membership. Furthermore, it should be noted that interviewing minorities is always difficult, as often there is suspicion about the use of the outcomes of this type of research. There is also a fear that information collected on sometimes informal activities is not in the interest of the ethnic entrepreneur. Werbner (1999) mentioned the occasional nature of their earnings, and the unreported, informal economy as the main reasons for false statistics in the context of ethnic entrepreneurship. We tried to cope with this problem by working with a co-ethnic interviewer.

Many Turkish entrepreneurs have an Islamic background. Although this background is increasingly becoming mixed with Western values, it is important to note here some of the main characteristics of Islam. Rice (1999) observed that Islam is not generally understood, and frequently misunderstood, but in fact contains essentially a complete socioeconomic system, with its own behavioral codes. In Islam, ethics appears to dominate economics. The teachings of the Koran (revealed by God to Mohamed in the 7th century) and the Sunnah (the recorded sayings of Mohamed) are the basis of the Islamic ethical system: the 'moral filter', unity, justice, trusteeship, and the need for balance.

Clearly, not all these factors act as manifest explanatory variables for an ethnic entrepreneurial behavioral code of conduct. But it is likely that a blend of such factors may lead to deviant market behavior (for more information, see Lewis and Algaoud (2001), and Igbel and Llewellyn (2001)).

6. Characteristics of the Interviewees

A sample of 40 Turkish grocers in Amsterdam were interviewed in the period June-July 2001. The interviewer, also Turkish, had mastered both Turkish and Dutch, and occasionally assisted the respondents with additional information. This improved the reliability of the answers given. Nevertheless, due to the cultural context of the respondents, there is always the possibility of misunderstanding. Thus, such information has to be treated with great caution. It should be added that not all respondents answered all questions.

In total, 50 Turkish grocers were asked to participate in the interviews. The selection criteria were twofold: the respondents had to be Turkish, and had to be grocers. The main reasons why some of the entrepreneurs refused to cooperate were that they distrusted the interviewer, or that they were too busy in their shop.

The selection process was not easy, as there is - for reasons of privacy - no official record in the Netherlands of Turkish entrepreneurs. The Yellow Pages were initially used to select the participants by family name, after which the interviewer visited their respective shops. Some participants were selected merely by walking around those neighborhoods where many Turkish entrepreneurs are concentrated. So some bias might have occurred, although this is offset by the fairly high response rate. The sample is therefore most likely quite typical of the Turkish grocery sector in the Netherlands.

The questionnaire was available in both Turkish and Dutch. Only 4 respondents chose to use the Dutch version, and the remaining 36 preferred the Turkish version.

Of the 40 entrepreneurs, 27 were between 25 and 39 years old, while 4 were younger than 24, and 9 were older than 40. 8 respondents had completed university or polytechnic education¹.

17 respondents had started their business themselves, mostly in the 1990s; 2 entrepreneurs mentioned that they had started their business as an extension of a current shop. The remaining 23 respondents indicated that their business was a takeover, mostly in the 1990s.

Of the 40 respondents, 29 were the sole proprietors of the shop. Of the remaining group, the average number of proprietors was 1.7 (for these cases 2 or 3 owners). In 10 of the 11 cases where there was more than 1 proprietor, all of them were Turkish, and

¹ The entrepreneur was also asked whether he belonged to the first or second generation of immigrants. There appeared to be a great deal of confusion about this question, and at the end of the project it became clear that a number of respondents interpreted this question differently from the way it was intended. They interpreted generation as referring to the decade in which they immigrated into the Netherlands (the

generally from the same region in Turkey. The exception was a Turkish entrepreneur from Bulgaria. As the respondents were all business owners, we call them entrepreneurs. The average number of people employed in the business was 2.6 persons. 12 of the 40 shops had no employees other than the owner(s). It should be noted that there is, in general, a number of what are referred to as ‘non-registered’ working people in ethnic firms: they are not by definition ‘black workers’, but can also be volunteers or family members (mostly working part-time). The average business had a floor space of 120 square meters, and 35 of the 40 owners had only one shop. The average age of the firms was 12 years.

It was striking that, although the interviewees were grocers, most sales were obtained specifically from greengrocery, rather than from general grocery. Furthermore, there were substantial sales in both meat and dairy products. The other categories of sales were mainly cigarettes, soft drinks, and candy. This indicates a blurring of traditional sector differences.

All respondents purchased products from the Dutch domestic market. Only 3 respondents also imported goods, mostly from Turkey. Almost all products were purchased from wholesalers, especially Dutch and Turkish wholesalers in the Netherlands. The respondents dealt with both Dutch and Turkish wholesalers, because they served both native and ethnic clients. The buying practice correlated with the nationality of the wholesaler: for Dutch products, the retailers turned mostly to native wholesalers, whereas for Turkish products they turned to Turkish wholesalers.

7. Research Responses and Interpretation

It is striking that none of the 40 interviewed entrepreneurs actually participated in a franchise organization or was a member of any other comparable collaborative organization. Some of them had tried to start some form of collaborative association in the past, but these efforts were not successful. The main reasons for this failure were: lack of interest by other retailers; lack of agreement among the potential members; lack of experience with this form of collaboration; lack of unity among the potential members; and, finally, lack of trust. Furthermore, a number of interviewees were prejudiced against Dutch institutions in general, viz. they believed they were not welcome or that the institutions would work against their interests. We will come back to this later.

migration of the 1960s and 1970s comprises more or less the first generation, and the migration of the 1970s and 1980s the second generation).

We will now address the research questions from Section 4. First, the average scores are presented in Table 1. We asked the entrepreneurs whether they agreed with a certain answer, on a five-point scale, which varied from ‘completely disagree’ (score 1) to ‘completely agree’ (score 5). Furthermore, on the basis of the Wilcoxon test, we also determined whether there are significant differences between the importance attached to the different answers. Note that not all questions were answered by all 40 respondents. The Wilcoxon test is a so-called non-parametric test, especially fit for dealing with small numbers.

== INSERT TABLE 1 ABOUT HERE ==

The main reason for not joining a franchise organization was that the respondents were not well-informed about this particular phenomenon. Note that the average score for all the reasons is close to the answer ‘neutral’, and not close to the convincing ‘(strongly) agree’.

The second reason given was that the respondents thought it was very unlikely that they would be accepted by franchise organizations. Additional evidence indicated that the market does not offer sufficient benefits to ethnic retailers (see Section 8). In this respect, it appeared to be a matter of simply believing they were unable to join. This reason does not differ significantly in importance from the first reason.

The doubted usefulness of joining a franchise organization for the entrepreneurs was ranked as the third reason for not joining such an organization. However, in terms of significance, this reason appears to be just as important as the first two reasons. So, in this respect, the entrepreneur deliberately decided to choose not to join.

The fourth reason given for not joining a franchise organization was the cost factor: it would be too expensive. So, even if the entrepreneur was willing to join a franchise organization, he would still not be able to do so. This response may correlate with scale-disadvantages: Turkish shops are generally small, in contrast to the rest of the Dutch retail sector. Note that this reason is equally as significant as the first one.

Next, we found the informal way of doing business by the ethnic entrepreneurs was an obstacle to joining franchise organizations. This may be reflected in, for example, the varied composition of their assortments, in contrast to the more limited composition of franchisees’ assortments.

This latter reason does not differ significantly from the first four reasons but is ranked last of the group of main reasons for not joining (based on its average score). It has an average score which is closer to ‘neutral’ than to ‘disagree’.

A gap occurs between these first five reasons and the next three. Fear of losing their independence is significantly less important, as is shown in Table 1. The most pronounced disagreement was expressed in the answers to the questions dealing with cultural and religious background. Note that these last three reasons are closer to 'disagree' than to 'neutral'. This pattern may have to do with the fact that franchising is a rather unknown phenomenon to the ethnic entrepreneurs.

In summary, communication, decision making by external parties, and economic reasons are primarily responsible for the fact that ethnic entrepreneurs do not join franchise organizations. Cultural and religious reasons as such hardly play a role. However, it is striking that the highest average of the reasons is still not higher than 3.03, which is close to 'neutral'. The lowest average is 2.16, which is slightly higher than 'disagree'.

We also looked for differences within the group of respondents. The data set was segmented on the basis of age (with a cut-off point at 35 years old), generation (born in the Netherlands or younger than six years old at the time of immigration defines the first generation, the remainder being second generation), and year of immigration (before or after 1988). Only the combination of religious background and the year of immigration appeared to play a role: for respondents who had immigrated before 1988, religious reasons were more important in deciding not to join franchise organizations than they were for respondents who had immigrated after 1988. So we can state, in general, that our group of respondents is rather homogeneous.

One crucial question is whether the typical aspects of ethnic entrepreneurship are reflected in this explanation. The answer to this is negative. We may conclude that the lack of institutional collaboration of ethnic entrepreneurs is not so much explained by the typical traits of ethnic entrepreneurship but merely by communication, by the perception of having no chance of being accepted and by economic factors. The typical ethnic traits are at best indirectly important, i.e. in influencing communication, visualizing external decision making, and economic factors. As such, the typical ethnic traits (culture and religion) end up in the rear. Coming back to Waldinger et al. (1990a): the low degree of institutional collaboration of ethnic entrepreneurs is associated with their opportunity structure (in relation to communication, acceptance, and economic factors); it does not seem to have to do with their group characteristics, except perhaps indirectly.

8. Perceived Grounds for Rejection by Franchise Organizations

The uniformity of Turkish entrepreneurs in their reasons for not joining a franchise organization finds its counterpart in another intriguing issue, viz. whether Turkish entrepreneurs see their perceived acceptance by franchise organizations as a major obstacle. And therefore, our respondents were also asked what they saw was the main reason why franchise organizations might not be willing to accept them. Clearly, this perception may differ from the actual reasons why they are not accepted, but it is this perception, which actually influences the daily behavior of the entrepreneur in his attitude to joining franchise organizations. In the end, it is the franchise organization that decides whether a firm is allowed to join or not. Its criteria mainly have to do with the characteristics of the firm and the market situation. The policy of franchise organizations to attract new member varies from passive to active. We also note that we did not look whether the respondents were member of other organizations as an alternative. It is not unthinkable that co-ethnic networks have such a function.

The main reason for not being accepted by franchise organizations is the idea that these organizations think that the market does not offer sufficient benefits to the ethnic firms, as indicated in Table 2. Whether this is true, is still an open question in two respects. First, is this really the reason why franchise organizations reject them? And, secondly, is it really true that the market does not offer sufficient benefits?

== INSERT TABLE 2 ABOUT HERE ==

In addition, there are other important supposed reasons for rejection that do not differ in strength significantly from the principal perception, in particular:

- Language deficiency among ethnic entrepreneurs, which makes communication too complicated and costly;
- Insufficient specific knowledge of ethnic minorities by franchise organizations;
- Presumed lack of records, diplomas or certificates among ethnic entrepreneurs;
- Insufficient knowledge of management, legal procedures and rules, marketing, and technology among ethnic entrepreneurs;
- Inferior educational level of ethnic entrepreneurs, that is too low for them to become a meaningful business partner.

So the main perceived reason among Turkish entrepreneurs as to why franchise organizations do not accept ethnic entrepreneurs, viz. market conditions, is actually beyond the control of the entrepreneurs. The next reasons for non-acceptance seem to be

rectifiable, i.e. language deficiency of ethnic entrepreneurs, and the knowledge of franchise organizations about ethnic people. The other reasons do not seem to be rectifiable at least in the short run: lack of records, diplomas and certificates; lack of knowledge and skills; and low educational level. We note that the scores of all six perceived reasons why franchise organizations would not accept ethnic entrepreneurs center around 3.00, which is the 'neutral' score.

Finally, we address the less important perceptions: tensions with the socio-cultural background of the ethnic entrepreneurs; their lack of knowledge of, and experience with, the Dutch market; the unattractiveness of their site; insufficient market opportunities for good profitability; lack of a solid financial basis; and, finally, the tension with the religious background of the entrepreneur. All these scores are in the order of magnitude of 2.50, which falls in-between 'neutral' and 'disagree'.

Regarding perceived grounds for rejection by franchise organizations, we also looked for differences within the group of respondents. Only a few differences appeared to emerge. Those who immigrated before 1988 more frequently thought that lack of a solid financial basis played a role, as did those who were older than 35. Furthermore, those who were younger than 35 tended to believe more frequently that lack of records, diplomas or certificates would play a role, compared with the opinion of their counterparts who were older than 35. In general, however, the group of respondents appeared to be fairly homogeneous, with regard to their perceptions.

9. Conclusions and Recommendations

Ethnic entrepreneurs hardly ever join formal constellations of institutional collaboration in general, and franchise organizations in particular, a situation which may partly explain their high failure rate. The generality of our conclusions is subject to debate however: we are only dealing with one single group (Turks) in one single country (the Netherlands). Nevertheless, our approach has value for future research in this field, not in the least because of our research orientation, which originates from a broad review of the international literature.

Poor communication, a low chance of being accepted by the external party, and economic market factors appear to be among the main reasons why ethnic entrepreneurs do not join franchise organizations. Poor communication is reflected in insufficient information about franchising. The perceived reasons why franchise organizations would not accept ethnic entrepreneurs is a mixture of economic factors, the difficulty of dealing with each other, and various deficiencies on the side of the ethnic entrepreneurs. The

economic factors, why ethnic entrepreneurs do not want to join franchise organizations, are reflected in no perceived benefits, costs too high, current business too informal and fear of losing their independence.

The low chance of being accepted is reflected in the entrepreneurs' perception of market conditions, which are beyond their control. But furthermore, there are also rectifiable reasons for rejection, which appear to play a role, especially concerning the development of language skills by the ethnic entrepreneurs, and the improvement of the franchise organizations' knowledge about ethnic entrepreneurs. The other reasons do not seem to be rectifiable, at least the short term: lack of records, diplomas and certificates; lack of knowledge and skills; and low educational level. Altogether, these are the factors, which are responsible for the isolated position of the ethnic entrepreneurs and which would need to be dealt with if the aim is to increase the participation of ethnic entrepreneurs in franchise organizations.

Our analysis has demonstrated that - as part of a research agenda - additional research among franchise organizations themselves about their views on ethnic entrepreneurs is necessary. Complementary research is also required to analyze the attitude to franchising of other ethnic groups, as we know that the phenomenon of ethnic entrepreneurship may be quite diverse among different ethnic groups. The process model introduced by Hood et al. (1993) may serve as a basis for this.

In conclusion, the main reasons why ethnic entrepreneurs do not join franchises stem from poor communication, the perception of rejection, and economic factors. Concerning the poor communication: this is a phenomenon that unfortunately often emerges in a multicultural society. In order to encourage the participation of minority groups in collaborative systems (not only franchise organizations but also trade associations, local shopkeepers' associations, etc.), new tailor-made initiatives have to be developed. In the context of the retail sector, this task of encouraging ethnic membership of franchise organizations seems to be a natural role for wholesalers, with whom the ethnic entrepreneurs come together in their dealings. It might begin as a low-profile and light institutional effort, perhaps with bonuses for purchases and low membership fees, etc. for specific groups, but such an effort might have a clear benefit to all in the long run.

Additional research among franchise organizations themselves about how they themselves view ethnic entrepreneurs is necessary. The economic factors in this context can hardly be denied: it is a fact that ethnic businesses are in general economically vulnerable and often show an informal way of doing business. This may also have to do with the typical characteristics of ethnic businesses (the role of the extended family and their motivation to start up their own business). Normally, after some time, ethnic

business may upgrade and thus become more eligible to join franchise organizations and other native-dominated institutional collaborations so as to avoid lock-in behaviour.

The perceived preliminary conclusions and recommendations resulting from our survey bring us back to Simmel (1950): the stranger appears as a trader and usually has big problems becoming assimilated in the new society. Improving communication and suppressing prejudices may help to make the stranger a more accepted person in a new society. This will undoubtedly improve his competitive and innovative potential. The previous analysis has shown that institutional support systems may act as significant support mechanism of economy dynamics and innovation. From an endogenous growth perspective one might argue that such institutional frameworks may become instrumental parameters in dedicated urban growth policy, where communication and participatory strategies may act as key conditions. The degree of flexibility and sharing of interest among ethnic groups is an important handle for new entrepreneurial perspectives among migrant entrepreneurs in the city.

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Table 1. Reasons not to join a franchise organization by Turkish entrepreneurs

	n	average	P-value
Insufficient information about franchising	39	3.03	1.000*
No chance of being accepted	39	2.95	0.767*
No perceived benefits	38	2.95	0.745*
Costs too high	38	2.89	0.611*
Current business too informal	38	2.84	0.470*
Afraid to lose independence	38	2.42	0.018+
Tension with cultural background	38	2.26	0.002+
Incompatibility with religious background	38	2.16	0.000+

- * Does not differ significantly at the 10% level from first item.
- + Differs significantly at the 10% level from first item.

Table 2. Perceived reasons by Turkish entrepreneurs why franchise organizations would not accept ethnic entrepreneurs

	N	average	P-value
No competitive advantages for ethnic entrepreneurs	40	3.23	1.000*
Language deficiency of ethnic entrepreneurs	40	3.20	0.913*
Insufficient knowledge about ethnic people	40	3.15	0.769*
Lack of records, etc., by ethnic entrepreneurs	40	3.00	0.441*
Lack of knowledge and skills by ethnic entrepreneurs	40	2.95	0.318*
Low educational level of ethnic entrepreneurs	40	2.83	0.147*
Tension with cultural background of ethnic entrepreneurs	40	2.70	0.060+
Limited experience with the Dutch market	40	2.68	0.057+
Inappropriate location of ethnic enterprises	40	2.58	0.018+
Low returns for ethnic enterprises	40	2.50	0.013+
Lack of solid financial basis for ethnic enterprise	40	2.40	0.003+
Incompatibility with religious background	40	2.30	0.000+

(10) Typos

- * Does not differ significantly at the 10% level from first item.
- + Differs significantly at the 10% level from first item.